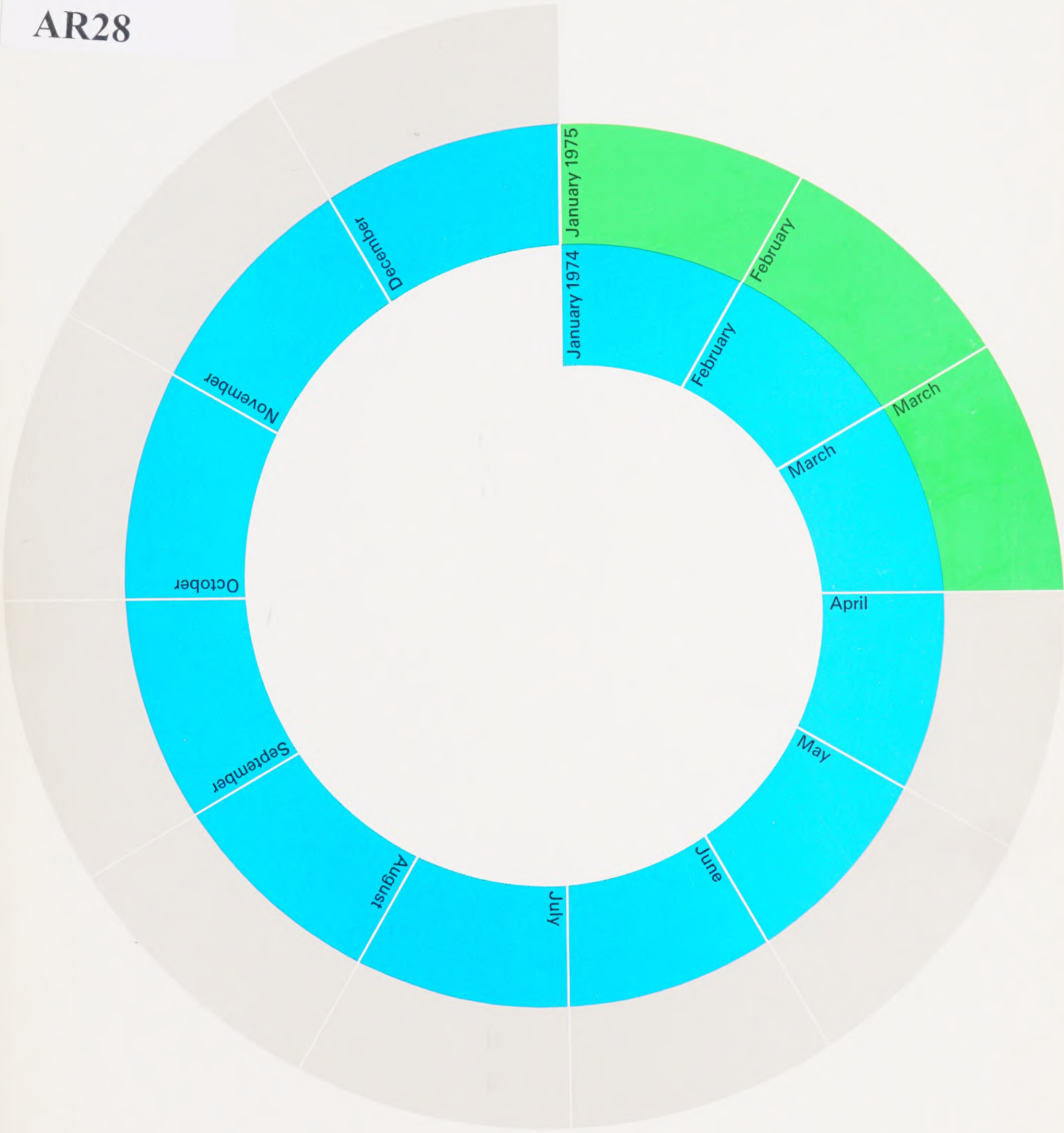



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Table of Contents

Directors and Officers	2
Financial Results at a Glance	3
President's Report	4
Divisional Reports	
Imperial Tobacco	6
Imasco Food	8
Imasco Associated Products	10
Subsidiary Companies	12
Consolidated Statement of Earnings	13
Consolidated Statement of Retained Earnings	13
Consolidated Balance Sheet	14
Consolidated Statement of Changes in Financial Position	15
Notes to Consolidated Financial State- ments	16
Ten Year Review	20
Auditors' Report	22
Transfer Agents	22
Registrars	22
Stock Exchange Listings	22
Banks	22

Si vous désirez recevoir ce rapport annuel
en français, veuillez vous adresser à :

Le Secrétaire
Imasco Limitée
4, square Westmount
Montréal, Canada
H3Z 2S8

Imasco Limited
Directors and Officers

Imasco Limited is a multi-divisional company manufacturing consumer products and supplying consumer services in Canada and the United States. Principal products are tobacco and food. Services include retail outlets, automatic vending operations and television equipment manufacturing.

Directors

Paul Paré¹
Claude Castonguay, C.C.
John H. Coleman²
Purdy Crawford, Q.C.²
Peter Kilburn
L. Edmond Ricard¹
George G. Ross^{1,2}
John J. Ruffo¹
Robert T. Ruggles
Clifford Warren¹

Officers

Paul Paré, President
Norman A. Dann, Vice-President
E. Peter Gage, Vice-President
Ian W. Murray, Vice-President
L. Edmond Ricard, Vice-President
George G. Ross, Vice-President
John J. Ruffo, Vice-President
Robert T. Ruggles, Vice-President
Clifford Warren, Vice-President
Norman J. Flynn, Secretary
Matthews Glezos, Treasurer
Ronald F. Findlay, C.A.,
Corporate Comptroller
Roger S. Ackman, General Counsel
John N. Economides, Assistant Treasurer

¹Member of the Executive Committee

²Member of the Audit Committee

Financial Results at a Glance

	1975	1973
	Thousands of dollars	
Sales	1,030,293	717,102
Net earnings	36,778	28,036
Earned per common share	\$3.76	\$2.86
Dividends per common share	\$1.55	\$1.20
Working capital	117,033	98,705
Total assets	364,696	293,880
Shareholders' equity	163,356	141,346

1975 : 15 months to March 31
1973 : 12 months to December 31



Sales for the 15 months to March 31, 1975 were \$1,030,293,000. Net earnings were \$36,778,000 or \$3.76 a share.

Because of the change in our fiscal year, the audited financial statements which form part of this report cover two dissimilar periods; 15 months to March 31, 1975 and 12 months to December 31, 1973. As these periods are not comparable, the sales and operating earnings figures contained in each of the divisional reports cover the 12 months to March 31, 1975 compared with the 12 months to March 31, 1974. This period has been selected because future annual reports will be presented on this basis. A 12-month interim statement for the period ended December 31, 1974 was mailed to the shareholders in March.

For comparative purposes, the major items in the earnings statements for the 12 months to March 31, 1975 and March 31, 1974 are :

Sales at \$842,979,000, an increase of \$90,939,000 or 12 per cent over 1974. Operating profits were \$62,735,000 in 1975 and \$54,028,000 in 1974.

Net earnings for the 12 months ending March 31, 1975, were \$31,297,000 or \$3.20 a share, an increase of \$2,479,000 or 26 cents a share over the comparable period in 1974.

The major changes in the balance sheet between December 31 and March 31 are both in the working capital section, where inventories and bank indebtedness show substantial increases at March 31, largely resulting from the annual purchase of the leaf tobacco required by the Imperial Tobacco Division.

New By-laws

The annual general meeting to be held in July will be combined with a special general meeting for the purpose of asking for shareholders' approval of two new by-laws. One by-law will authorize

the change in the date of the Company's fiscal year-end and the other will authorize a change in the permissible period between annual general meetings. Details of these by-laws are set out in the Information Circular which has been sent to all shareholders.

Inflation

The rate of inflation in Canada in 1974 came as a shock to all sections of society. It has been a frightening and bewildering experience for everyone. Frightening because it has made planning almost impossible in the face of a more than usually uncertain future; and bewildering because there appear to be no apprehensible remedies.

Canada has long been accustomed to a stable economy with a slow and easily manageable rate of inflation. We are now participants in the worldwide predicament of an inflationary spiral that has brought a number of major international industrial and financial organizations to bankruptcy.

The effect of inflation and high interest rates has been to dry up sources of capital or make it so expensive as to put it beyond the reach of many businesses seeking to expand or improve production capacity. Industry has had to defer capital investment and postpone plans for expansion. Rising prices have spurred demands for higher wages, placing a further burden on the thinning resources available for reinvestment in industry. Public projects have spiralled in cost, leaving little hope for any significant relief in taxation.

In periods of inflation, the effective rate of taxation on a corporation automatically rises and this places business in an invidious position. Faced with higher costs for labour, materials, inventories and machinery replacement, business is forced to increase prices; but after taxation on the higher revenues and replacement of inventories at still higher costs,

there is little if anything left to maintain and expand the enterprise. If a company produces an article for \$10, sells it for \$12, pays 80 cents tax on the \$2 profit, and then finds the manufacturing cost to replace the article has risen to \$13, it will show a \$1.80 loss. Admittedly, this is an oversimplified example, but it is an accurate reflection of the situation many industries are facing.

While inflation robs all of us, it is particularly vicious in its effect on those who must live on fixed incomes, those who rely, for instance, on the dividends from investments made in their years of greater earning power. The visible plight of these people is a discouragement to those who would save and invest now for their future security, and thus another source of capital for business expansion is diminished.

If there are no profits, no savings, there can be no accumulation of capital for replacement of buildings and machinery. If production facilities are not replaced and continually upgraded, the result will be higher production costs for sub-standard goods and eventually shortages which will contribute to further inflation.

In our own Company, we are contending with higher costs in all divisions. Leaf tobacco, foodstuffs, packaging materials, salaries and wages have all risen sharply. In these unprecedented circumstances we are continuously reviewing all plans and activities and consolidating operations wherever possible in order to economize and lessen their impact on the prosperity of the Company.

There are a number of measures which could be taken to ameliorate the ravages of inflation on operating profitability and to more accurately reflect the true financial results of a year's operations. One of these is the LIFO (last in, first out) method of accounting. LIFO permits a company to use the most recent prices it has paid for raw materials in computing manufacturing costs. Unfortunately, this

accounting practice is not legally open to us for tax purposes in Canada where in our tobacco, food and other operations we must charge out inventories at average cost.

We considered using the LIFO method in our food companies in the US, but for a number of reasons decided against it for this year. We intend to reexamine the feasibility of LIFO in these companies for 1975.

However, in the present state of high inflation, even the most accommodating systems of accounting are only palliatives. They provide a clearer picture of the situation and they afford some limited relief from taxation. They do nothing to solve the problem of inflation which is a combination of a general demand for a continually rising standard of living, excessive growth of the money supply, high government spending, high wage demands, and the higher costs of basic commodities caused by natural or political shortages. Until these influences are brought under some control, or at least moderate to some degree, inflation will continue to take its toll of our resources.

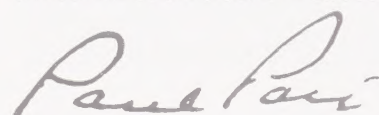
In the meantime, it would be useful if companies were permitted to set aside part of their selling prices in a non-taxable inventory replacement reserve. This would provide more tax relief than the present system which does not discriminate between earned income and inflated inventory values.

The tobacco industry has generally experienced an uncommon measure of stability even in times of economic depression. Tobacco products provide popular enjoyment at relatively low cost and people continue to buy them in nearly all circumstances. The food industry, of course, also enjoys a steady patronage, although in difficult times people may tend to buy more ingredients for home preparation and fewer prepared foods. Our food companies provide products in both categories, all of them are good

value and competitive in their markets. The larger part of our retail operations are in low-priced items and the appeal in our sporting goods stores will continue to be to the cost-conscious shopper who looks for the best quality at the lowest prices.

We foresee continued growth and profitability in all three divisions although at a slower rate in comparison with previous years. Sales and earnings should increase in 1975.

On behalf of the board of directors



Paul Paré, President

Montréal, June 5, 1975

Tobacco Division sales for the year ended March 31, 1975 were \$500,537,000, an increase of nine per cent. Operating earnings for the period were \$52,006,000, up 14 per cent. The increase in earnings resulted chiefly from the greater volume of sales and from improved efficiency of operations.

Operations

Imperial Tobacco Limited manufactures and distributes a complete range of tobacco products and it is the largest tobacco company in Canada. Cigarettes are manufactured at plants in Guelph, Ontario and in Montréal and Québec City, Québec. Leaf tobacco is processed and matured at a plant in Aylmer, Ontario. At the Montreal plant, the company also manufactures cigars, fine cut tobaccos, pipe and plug tobaccos, snuff, and cigarette tubes for roll-your-own cigarettes.

Cigarettes

Total industry sales of cigarettes in the 12 months ended March 31, 1975 decreased by about 1.5 per cent. This decrease was caused by heavy trade purchases immediately before the price increase in April 1974. However, Imperial Tobacco increased its market share in the period.

Sales of Imperial's leading brands continued to show market share increases, notably du Maurier, Player's Filter, and Matinée which was reintroduced in a new package in 1974.

Two new cigarette entries were made by Imperial in 1974. Turret, an economy priced cigarette, was introduced to the Québec market, and Player's Medium Filter, a regular length cigarette, was test-marketed in the Atlantic region. Both brands show promise.

Cigarette prices were raised in April and September 1974 but the revenue from these increases was not sufficient to cover the inflated costs of materials and services. Consequently, a further increase

was announced in April 1975. From November 1972, the date of the last previous price increase, to April 1975, the consumer price index rose by 25 per cent. Cigarette price increases in the same period amounted to 19 per cent. The federal tax on cigarettes was also raised in November 1974.

Cigars and Cut Tobacco

The company's sales of large cigars remained steady during the year while the industry's sales showed a marginal decrease. Imperial's share of the cigar market was higher than the industry average, largely owing to the popularity of Colts.

Sales of fine cut tobaccos for roll-your-own cigarettes were lower, reflecting a 12 per cent drop in total industry sales.

Domestic pipe tobacco sales also declined, but at a slower rate than imported pipe tobaccos which continue to hold a significant share of the market. Borkum Riff, an imported Swedish blend, continued to increase its share of market.

In February 1975, prices were raised on a number of tobacco products including pipe and plug chewing tobaccos, snuff, some cigars, imported cigarettes and paper booklets, strips and tubes.

Marketing

The company expanded its marketing programmes associated with popular spectator events. The Peter Jackson Canadian Open golf championship attracted a field of internationally renowned golfers and a record crowd of golfing fans. Peter Jackson support was extended to include the Peter Jackson Classic, one of the major tournaments on the women's professional golf tour. The du Maurier Council for the Performing Arts increased its support for theatrical and musical events, making the Council one of Canada's leading patrons. Player's continues its association with motor sports, supporting seven regional racing meets across Canada. The

White Owl Conservation Awards programme, in addition to the awards for achievement in the area of conservation, now offers ten supporting grants to individuals or groups involved in environmental activities or studies.

Leaf tobacco

The 1974 Ontario flue-cured tobacco crop produced about 238 million pounds. Prices are substantially higher than in 1973. The target for the 1975 Ontario crop is 202 million pounds for which domestic buyers have guaranteed a minimum average price of 93 cents a pound plus a one cent a pound incentive to the growers.

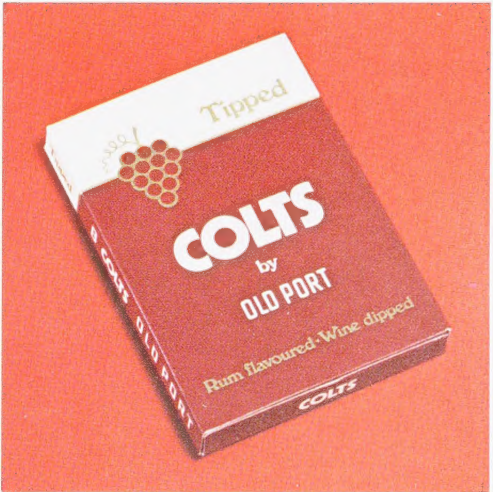
Individual farms are declining in number but increasing in size, and farmers are turning more and more to mechanization to improve efficiency, cut costs and overcome seasonal labour shortages. Improved curing and handling systems, developed at the company's practical experimental farm in cooperation with government agricultural experts and the growers, are contributing to the profitability of tobacco farming and are being gradually adopted.

Costs

Costs of product components rose sharply in the 12 months to March 31, 1975. Consolidation of operations to reduce costs continues. The phase-out of the General Cigar Company plant and the transfer of production to the Montréal plant will be completed in 1975.

Outlook

The rate of increase in cigarette sales was exceptionally high in 1974. This rate slowed in early 1975 and should return to the normal rate of two per cent, in line with expected population growth. Imperial Tobacco, with several leading cigarette brands steadily increasing in popularity, should show higher sales and earnings in fiscal 1976.



Sales and earnings of all four companies in the division increased in the fiscal year ended March 31, 1975. Divisional sales were \$196,862,000, up 17 per cent. Earnings were \$8,610,000, up 33 per cent.

This improved performance resulted chiefly from investment in new manufacturing capacity, which allowed the division to manufacture a higher proportion of its products, and from greater sales over wider markets. The group now manufactures more than 50 per cent of its products.

Operations

S & W Fine Foods, Inc., markets an extensive line of "fancy" grade food products including canned fruits and vegetables, fish, coffee, nuts, juices and nectars. S & W also markets two dietetic lines of fruit and vegetable products under the brand name Nutradiet. S & W's Mexican foods division is one of the largest U.S. producers of tortillas and complementary lines. The company's largest market is in the western U.S., but sales are steadily growing in the eastern States and export sales are also an increasingly important part of its activities.

S & W enlarged its market coverage in fiscal 1975 and stepped up advertising to further increase sales.

The company moved its head office to more efficient quarters in San Mateo, California, and purchased Casa Fiesta, Wichita, Kansas, to gain additional production capacity for Mexican foods.

Progreso Foods Corp. manufactures and markets a line of more than 150 traditional Italian foods. Sales are principally in the eastern United States, but are steadily expanding into other parts of the U.S. Progreso is also the U.S. distributor of Tic Tac candies which are now available in several flavours.

Although many of Progreso's products are co-packed, more than 50 per cent are

manufactured at the company's Vineland, New Jersey, plant. The company is continuing its long term plans to manufacture a higher proportion of its products. Several new Italian soups and flavored bread crumbs were added to the company's product lines in fiscal 1975.

Progreso is closing its warehouse at Jersey City, N.J., and concentrating distribution facilities in the Vineland plant.

Unico Foods Limited

Unico Foods Limited markets some 200 Italian food items, mainly under its own label. Vegetable oils, canned vegetables, tomato products, soups, fruits, fish, pasta products, espresso coffee, and many other Italian food products have made Unico the first choice of Canadians who appreciate quality Italian foods.

Unico products are sold mostly in Ontario, but markets are steadily being extended in other parts of Canada.

Unico is one of Canada's largest packers of vegetable oils for domestic and commercial kitchens. The company is also a major supplier of olives, and is the Canadian distributor of Tic Tac.

An addition of 32,000 square feet was made to the Unico plant during the year to provide greater storage space and to accommodate the enlarged packing operations.

Grissol Foods Limited

Grissol Foods is the parent of a group of Montréal-based companies which includes Viau Limited and Taillefer et Fils Limitée. Products include bread specialties, biscuits, candies, meat products, soup bases, and snack foods.

Grissol produces virtually all of its own products. They are best known in Québec, but many are sold across Canada. Some are exported to the U.S. and the Netherlands and such specialties as bread sticks

and Melba toast are being introduced to other European markets.

Production capacity for Melba toast and bread crumbs has been enlarged at Grissol where other production and packaging lines were also modernized.

Taillefer moved into a new building in Ville d'Anjou which will increase its capacity to manufacture the existing line of meat products, accommodate line extensions and provide facilities for the preparation of new products.

General

Some food crops are in short supply and Imasco Food procurement officers continue to search for new sources. With over 1,500 products, the division is well placed to compensate for shortages of some products with increased production of others or the substitution of new items.

There is a small but noticeable trend away from convenience foods in North America and towards ingredients for home preparation of meals. With its wide range of products, a great many of which may be classified as ingredients, Imasco Foods is in a good position to increase its sales should this trend continue.

Outlook

Further legislation governing safety and food processing and environmental protection may be expected. Even the present regulations are having an effect on production costs which must be reflected in product prices. Programmes for nutritional labelling, metric information and universal product code markings are all as far advanced as technical information and practical considerations permit.

Some prices were increased, reflecting higher production costs, but the major part of the increase in earnings came from higher production and a larger proportion of sales of products of our own manufacture.



Divisional Report

Imasco Associated Products

Sales increased in all areas of the division's operations and earnings increased in most during the 12 months ended March 31, 1975. Total sales were \$169,890,000, up 16 per cent. Earnings of the retail businesses advanced 12 per cent, but owing to a substantial decline in the television business in the last two quarters, the earnings of the division as a whole totalled \$5,331,000, up only one per cent.

Operations

The division is based primarily on retailing and consumer services.

United Cigar Stores operates a chain of over 340 tobacco and gift shops across Canada. During the year, the company strengthened its position as Canada's leading tobacco retailer with the opening of 37 new stores, including five in major hotels. Tobacco retailing operations in the United States are carried out through The Tinder Box International, Ltd and Turnpike Cigar Stores, Inc. The Tinder Box, a chain of franchised and company-owned stores specializing in quality pipes and tobacco products, opened 26 stores, bringing the total number of stores in the group to 100.

Turnpike Cigar Stores operates 17 tobacco shops, most of them in department stores in the greater New York area.

Top Drug Mart Limited is a chain of 65 stores offering prescription and non-prescription drugs, cosmetics and a variety of other personal care items at most attractive prices. Since the acquisition of Top Drug Mart in 1973, additional stores have been opened and older ones have been enlarged and attractively redesigned to heighten customer awareness and improve shopping comfort and efficiency. A new warehouse has been established in Toronto to serve the chain and store expansion will continue.

Sporting goods retailing activities are carried on by Collegiate Sports and

Arlington Sports. The group now comprises 15 stores in major Canadian cities. Expansion during the year included the opening of a Collegiate store with over 15,000 square feet of display area in Toronto's Yorkdale Shopping Centre. A new, larger warehouse has also been established in Toronto for sporting goods as part of an improved distribution system. The Collegiate stores had an increasingly profitable year but Arlington continued to experience expansion problems. Earnings from sporting goods retailing are expected to improve in fiscal 1976.

Amco Services is one of Canada's largest operators of automatic vending machines. Services include tobacco products, foods, music and games and office coffee services. Amco now has over 13,000 units in operation. Expansion is continuing particularly in coffee services where more than 2,000 units were added.

Editel Communications Limited manufactures specialized television equipment for the broadcasting industry, including the ENC-I and ENC-II hand-held, colour television cameras and custom-built mobile units for remote broadcasts. Equipment rentals increased during the year and two mobile units were sold to companies in Venezuela in March 1974. This company is highly dependent on the U.S. market and economic conditions there have depressed sales and margins in the last two quarters.

General

Inflation has seriously affected profitability in this division. With the rising cost of goods, inventory costs are higher. Success in retailing depends to a large degree on customer service and this requires a large number of employees. Self service systems are used wherever possible but salaries and wages have risen substantially in the last year. Construction costs are also higher, increasing the cost of opening new stores and renovating older ones. In all its operations the division has kept costs down by increasing efficiency

and controlling expenses. In their respective fields of operations, each company has shown a higher than average rate of growth.

Outlook

Profitability will depend in the coming year on costs of goods and services and on the rate of inflation. Improved distribution methods and internal economies should help to offset cost increases. Sales growth in all retail areas of operations should continue.



Imasco Limited
Subsidiary Companies

Imperial Tobacco Division

Imperial Tobacco Limited
Montréal, Québec
 Paul Paré, Chairman of the Board
 L. Edmond Ricard, President
 Peter R. Austin, Vice-President
 Marius Dagneau, Vice-President
 E. Peter Gage, Vice-President
 Robertson M. Gibb, Vice-President
 Thomas R. Lamont, Vice-President
 André Laporte, Vice-President
 Claude Mercier, Vice-President
 Jean-Louis Mercier, Vice-President
 William J. Ross, Vice-President
 J. I. Leonard Storey, Vice-President
 Douglas G. Myers, Secretary
 Robert Bégin, C.A., Comptroller

General Cigar Company Limited
Montréal, Québec

Imperial Leaf Tobacco Company
of Canada Limited
Montréal, Québec

Imasco Food Division

Imasco Foods Limited
Montréal, Québec
 Clifford Warren, President
 Gordon W. Fuller, Vice-President
 Colin McKay, Vice-President
 Ronald M. Statham, C.G.A., Comptroller

Unico Foods Limited
Toronto, Ontario
 Edward C. Pasquale, Jr., President
 Frank Mattucci, Vice-President
 Nito Pasquale, Vice-President
 Mrs. Georgina Madott,
 Secretary/Treasurer

Grissol Foods Limited
Montréal, Québec
 Yves Hudon, President
 and General Manager
 Roderick C. Foster, C.A., Vice-President
 and Secretary/Treasurer
 Romuald Frenette, Vice-President

Progresso Foods Corp.
Jersey City, New Jersey
 Nicholas R. Marona, President
 Edward R. Granser, Vice-President
 Robert W. Novak, Vice-President
 F. John Simpson, Vice-President
 Gasper Taormina, Vice-President
 and Secretary/Treasurer
 George J. Torggler, Vice-President
 Dennis Sullivan, Comptroller

S and W Fine Foods, Inc.
San Mateo, California
 Ian W. Murray, President
 Charles R. Angin, Vice-President
 Marcel Casenave, Vice-President
 Norman L. Correia, Vice-President,
 Secretary and Comptroller
 Irving J. Manning, Vice-President
 Peter H. Mattson, Vice-President

Imasco Associated Products Division

John J. Ruffo, President
 Peter A. Thomson, Vice-President and
 Secretary
 John F. Mathers, C.A., Vice-President
 and Treasurer
 Lorne B. Tick, Vice-President
 Bruce Johnstone, C.A., Comptroller

Group Vice-Presidents

Hubert B. Wells
United Cigar Stores Limited
Toronto, Ontario
The Tinder Box International, Ltd.
Santa Monica, California
Turnpike Cigar Stores, Inc.
Freeport, New York

Donald R. Hoffman
Amco Services
Toronto, Ontario

Dr. Brian McGrath
Top Drug Mart Limited
Toronto, Ontario

Bruce S. McCubbin
Collegiate Sports
Toronto, Ontario
Arlington Sports
Montréal, Québec

Television

Editel Communications Limited
Montréal, Québec
 G. Ross Jebson, President

**Imasco Limited
and Subsidiary Companies**
For the 15 months ended March 31, 1975
(With figures for the year ended December 31, 1973)

Consolidated Statement of Earnings

	1975	1973
	Thousands of dollars	
Sales (Note 3)	1,030,293	717,102
Sales and excise taxes	330,771	250,539
	699,522	466,563
Operating costs	625,221	413,682
Earnings from operations (Note 3)	74,301	52,881
Income from investments	267	322
Interest expense	(10,059)	(3,488)
Earnings before income taxes	64,509	49,715
Income taxes	27,553	21,571
	36,956	28,144
Minority interest	178	108
Net earnings	36,778	28,036
Earnings per common share	\$3.76	\$2.86

Consolidated Statement of Retained Earnings

Retained earnings, beginning of period	84,963	74,829
Net earnings	36,778	28,036
Goodwill on consolidation of subsidiaries (Note 2)	676	(5,949)
Dividends (Note 4)	(15,444)	(11,953)
Retained earnings, end of period	106,973	84,963

The attached notes form an integral part of these statements.

**Imasco Limited
and Subsidiary Companies
March 31, 1975
(With figures at December 31, 1973)**

Consolidated Balance Sheet

		1975	1973
		Thousands of dollars	
Current assets	Cash and term deposits	3,580	2,943
	Accounts and notes receivable	57,811	50,414
	Inventories (Note 5)	215,773	154,586
	Prepaid expenses	2,570	1,973
	Total current assets	279,734	209,916
Current liabilities	Bank and other short term loans	93,769	37,273
	Accounts payable and accrued liabilities	42,497	40,575
	Income, excise and other taxes	24,277	28,538
	Current portion of long term debt (Note 7)	2,158	1,924
	Dividends payable	—	2,901
	Total current liabilities	162,701	111,211
	Working capital (net current assets)	117,033	98,705
Other assets	Investments (at cost) and notes receivable	7,352	12,099
	Deferred charges	5,897	5,021
	Fixed assets (Note 6)	71,712	66,843
	Goodwill, trademarks and patents	1	1
	Excess of assets over current liabilities	201,995	182,669
Other liabilities	Long term debt (Note 7)	31,882	35,005
	Deferred income taxes	6,187	5,927
	Minority interest	570	391
		38,639	41,323
	Excess of assets over liabilities	163,356	141,346
Shareholders' equity	Capital stock (Note 8)	54,153	54,153
	Capital surplus (Note 8)	2,230	2,230
	Retained earnings	106,973	84,963
		163,356	141,346

Approved by the Board,
Paul Paré, Director
G. G. Ross, Director

The attached notes form an integral part of these statements.

**Inasco Limited
and Subsidiary Companies**
For the 15 months ended March 31, 1975
(With figures for the year ended December 31, 1973)

Consolidated Statement of Changes in Financial Position		1975	1973
		Thousands of dollars	
Source of funds	Net earnings	36,778	28,036
	Depreciation	8,874	6,642
	Deferred income taxes	1,316	1,745
	Sundry non-cash items	255	114
	Funds provided from operations	47,223	36,537
	Sale of subsidiaries	—	10,387
	Working capital sold	—	4,495
		—	5,892
	Sale of fixed assets	991	1,670
	Investments and notes receivable	4,830	1,463
		53,044	45,562
Application of funds	Purchase of subsidiaries		
	Fixed assets	408	2,983
	Goodwill	368	8,960
	Other	22	241
		798	12,184
	Dividends	15,444	11,953
	Fixed assets	15,130	13,203
	Long term debt	3,116	2,575
	Investments and notes receivable	—	4,500
	Other	228	(293)
		34,716	44,122
Working capital	Increase in working capital	18,328	1,440
	Beginning of period	98,705	97,265
	End of period	117,033	98,705
The attached notes form an integral part of these statements.			

Notes to the Consolidated Financial Statements

Thousands of dollars

1. Summary of accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of Imasco Limited and all subsidiaries. All acquisitions have been accounted for as purchases and the results of operations of acquired businesses have been included from their effective dates of acquisition.

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the company has adopted a policy of capitalizing goodwill on consolidation of subsidiaries for acquisitions subsequent to March 31, 1974. These amounts will be amortized over the estimated life of the acquired goodwill.

There have been no acquisitions since that date requiring amortization of goodwill. For acquisitions prior to April 1, 1974, goodwill on consolidation of subsidiaries was charged directly to retained earnings. Subsequent adjustments of such goodwill are reflected in retained earnings.

b) Foreign exchange

United States dollar amounts have been translated to Canadian dollars on the following bases : net fixed assets and depreciation at exchange rates in effect at the appropriate acquisition dates ; all other assets and liabilities at exchange rates in effect at year-end ; all earnings accounts, other than depreciation, at average exchange rates for the period. Unrealized losses on translation in excess of any prior years' unrealized gains are charged to earnings.

c) Inventory valuation

Inventories are valued at the lower of cost or net realizable value. Cost is determined for each division substantially as follows :

Imperial Tobacco Division : Average cost

Imasco Food Division : First in, first out

Imasco Associated Products Division : Average cost

d) Fixed assets

Fixed assets are stated at cost. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets. The estimated useful lives of the principal classes of assets are :

Buildings : 40 years

Equipment : 8 to 13 years

e) Pension plans

The companies have pension and retirement plans available to substantially all their employees. Current service costs are charged to income as they accrue. The unfunded liability for past service benefits is estimated at \$15,160 as at March 31, 1975 (December 31, 1973 \$15,635). This amount, with interest, will be funded and charged to earnings in equal annual amounts through 1990. An amount of \$3,771 (December 31, 1973 \$4,070) included in deferred charges and representing the balance of a lump sum payment made in 1972, will be absorbed on the same basis.

f) Income taxes

Income taxes are accounted for on the tax allocation basis. The major portion of accumulated deferred income taxes arises from differences between the amounts of depreciation claimed for income tax purposes and those recorded in the financial statements.

**Imasco Limited
and Subsidiary Companies**
For the 15 months ended March 31, 1975
(With figures for the year ended December 31, 1973)

Notes to the Consolidated Financial Statements

		Thousands of dollars	
2. Acquisitions	During the period four businesses were acquired (1973 – 27), principally food processing and retailing operations for a total cash consideration of \$944 (1973 \$13,802). Certain purchase agreements provide for payments to previous owners contingent upon continuing performance of these businesses and their participation in them. The amounts payable under these agreements have been accounted for as additional acquisition costs and have been charged to retained earnings in accordance with the policy prevailing prior to April 1, 1974 when the original acquisitions were completed. Goodwill on consolidation of subsidiaries reflected in retained earnings consists of the following :		
		1975	1973
	Income tax savings related to prior years' acquisitions (goodwill written off)	1,044	1,574
	Goodwill arising prior to April 1, 1974 and adjustments thereto	(368)	(9,443)
	Goodwill recovered on disposal of Growers' Wine Company Limited	—	1,920
		676	(5,949)
3. Operating results by division	Sales		
	Imperial Tobacco Division	610,493	446,935
	Imasco Food Division	242,037	161,773
	Imasco Associated Products Division	206,594	129,903
	Interdivisional transactions	(28,831)	(21,509)
		1,030,293	717,102
	Earnings from operations		
	Imperial Tobacco Division	62,015	45,373
	Imasco Food Division	10,398	5,681
	Imasco Associated Products Division	6,047	4,955
		78,460	56,009
	General administration	(4,159)	(3,128)
		74,301	52,881
4. Dividends	6% cumulative preference shares	435	348
	Common shares — Class A	14,898	11,605
	— Class B	78	—
	Tax paid to create tax paid undistributed surplus	33	—
		15,444	11,953
	The trust agreement relating to the series A debentures contains a restriction regarding the payment of dividends. At March 31, 1975 \$66,113 of retained earnings was free from such restriction.		

**Imasco Limited
and Subsidiary Companies**
For the 15 months ended March 31, 1975
(With figures for the year ended December 31, 1973)

Notes to the Consolidated Financial Statements

1975 1973

Thousands of dollars

5. Inventories	Imperial Tobacco Division		
	Finished goods	36,760	16,112
	Raw material, supplies and work in process	91,863	61,088
		128,623	77,200
	Imasco Food Division	54,551	47,266
	Imasco Associated Products Division	32,599	30,120
		215,773	154,586
Inventories of the Imasco Food Division and Imasco Associated Products Division are made up mainly of finished goods.			
6. Fixed assets and accumulated depreciation	Land	4,837	5,007
	Buildings	42,704	41,100
	Equipment	89,636	80,038
		137,177	126,145
	Accumulated depreciation	65,465	59,302
	Net fixed assets	71,712	66,843
	Depreciation expense	8,874	6,642
7. Long term debt	8½% sinking fund debentures series A due March 15, 1991	30,800	32,900
	Less held in treasury	1,140	2,102
		29,660	30,798
	Other long term obligations	4,380	6,131
		34,040	36,929
	Less current portion	2,158	1,924
		31,882	35,005
Interest on long term debt			
		3,771	3,016
Required payments during the next five years including \$1,050 annual sinking fund payments on the 8½% sinking fund debentures amount to : 1976, \$2,158 ; 1977, \$1,769 ; 1978, \$1,760 ; 1979, \$1,453 ; 1980, \$1,416.			
8. Capital stock	6% cumulative preference shares, par value \$4.86⅔ each		
	Authorized and issued	1,650,000 shares	
	Less purchased for cancellation	458,112 shares	
	Outstanding	1,191,888 shares	5,800
	Class A and Class B convertible common shares, no par value		
	Authorized	10,800,000 shares	
	Issued	9,670,532 shares	48,353
		54,153	54,153

**Inasco Limited
and Subsidiary Companies**
For the 15 months ended March 31, 1975
(With figures for the year ended December 31, 1973)

Notes to the Consolidated Financial Statements		1975	1973
		Thousands of dollars	
	During the period, the common shares of the company were reclassified to Class A and Class B common shares. Class A and Class B common shares are interconvertible on a one for one basis. Class B shareholders are entitled to dividends out of tax paid undistributed surplus and 1971 capital surplus on hand. These dividends are an amount equivalent to the dividends paid on Class A common shares less any applicable income taxes. At March 31, 1975 the number of shares outstanding were :		
	Class A 9,562,447		
	Class B 108,085		
	9,670,532		
	During the period, 200,000 authorized redeemable sinking fund preference shares, par value \$25 each authorized as at December 31, 1973 were cancelled.		
	Capital surplus consists of amounts transferred from retained earnings, as required by the Canada Corporations Act, in respect of 6% cumulative preference shares purchased for cancellation.		
9. Remuneration of directors and senior officers	<p>Directors</p> <p>Number at March 31, 1975 10 ; December 31, 1973, 9.</p> <p>Number during the period, 11 ; 1973, 13.</p> <p>At March 31, 1975, six directors were officers.</p> <p>(December 31, 1973, six directors were officers)</p> <p>Aggregate remuneration of directors as directors</p>	25	5
	<p>Officers</p> <p>Number at March 31, 1975 14 ; December 31, 1973, 15.</p> <p>Number during the period, 15 ; 1973, 17.</p> <p>Aggregate remuneration of officers including directors who are also officers</p>	2,308	1,744
10. Long term leases	The companies have commitments with respect to real estate leases most of which are for terms of from five to ten years. Rentals for such leases amounted to \$8,829 (1973 \$5,301) and the minimum annual rental under such leases amounts to approximately \$5,360 before giving effect to escalation and percentage of sales clauses in certain of the leases.		

Statistical Highlights — Ten Year Review

1975

1973

Sales and earnings	Sales	1,030,293	717,102
	Depreciation	8,874	6,642
	Earnings before income taxes	64,509	49,715
	Income taxes	27,553	21,571
	Net earnings before extraordinary items	36,778	28,036
	Net earnings after extraordinary items	36,778	28,036
	Earned on common shares before extraordinary items	36,343	27,688
	Per common share (in dollars)	3.76	2.86
Dividend record	On preference shares	435	348
	On common shares	15,009	11,605
	Per common share (in dollars)	1.55	1.20
Capital expenditures	On fixed assets	15,130	13,203
Financial position	Current assets	279,734	209,916
	Current liabilities	162,701	111,211
	Working capital	117,033	98,705
	Investment in non-consolidated subsidiaries including loans and advances	—	—
	Fixed assets (before depreciation)	137,177	126,145
	Fixed assets (less depreciation)	71,712	66,843
	Long term debt	31,882	35,005
	Excess of assets over liabilities	163,356	141,346
Shareholders' equity	Preference shareholders	5,800	5,800
	Common shareholders	157,556	135,546
	Per common share (in dollars)	16.29	14.02

1975 : 15 months ended March 31.

1965-73 : 12 months ended December 31.

1965-68 revised in accordance with 1969 presentation.

1966 and 1968 revised to include subsidiaries not consolidated in those years.

1972	1971	1970	1969	1968	1967	1966	1965
(Thousands of dollars, except 'per common share' statistics)							
625,613	569,629	582,163	512,987	421,265	393,315	373,069	366,262
5,497	4,431	4,132	4,371	4,075	4,135	3,835	3,486
40,761	34,176	31,110	26,016	24,730	25,237	24,637	26,778
18,536	16,349	15,154	12,540	12,207	11,656	11,624	12,832
22,162	17,661	15,691	13,383	12,465	13,581	13,013	13,946
22,162	17,539	15,691	12,226	12,646	13,581	13,013	13,946
21,814	17,313	15,343	13,035	12,112	13,215	12,619	13,533
2.26	1.79	1.59	1.35	1.25	1.37	1.30	1.40
348	348	348	348	353	366	394	413
10,638	9,671	7,736	7,736	7,736	7,736	8,461	7,253
1.10	1.00	.80	.80	.80	.80	.87½	.75
5,185	6,642	12,104	4,033	4,404	5,187	8,451	3,491
186,458	174,230	173,779	167,818	125,562	124,295	115,964	120,765
89,193	68,887	74,692	72,168	36,465	32,507	27,786	31,300
97,265	105,343	99,087	95,650	89,097	91,788	88,178	89,465
—	—	—	—	17,855	14,821	13,425	13,077
118,368	104,563	98,031	89,360	81,257	78,044	75,215	67,076
62,826	56,087	53,508	47,056	40,221	38,845	38,198	33,195
36,667	37,349	34,476	36,956	2,261	2,261	2,261	2,262
131,212	131,556	127,031	119,221	139,746	137,929	133,366	129,643
5,800	5,800	5,800	5,800	5,830	5,973	6,518	6,766
125,412	125,756	121,231	113,421	133,916	131,956	126,848	122,877
12.97	13.00	12.54	11.73	13.85	13.65	13.12	12.71

Auditors' Report

To the Shareholders of Imasco Limited	<p>We have examined the consolidated balance sheet of Imasco Limited and subsidiary companies as at March 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the 15 months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.</p> <p>In our opinion these financial statements present fairly the financial position of the companies as at March 31, 1975 and the results of their operations and the changes in their financial position for the 15 months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.</p> <p>Deloitte, Haskins & Sells Chartered Accountants 3210 The Royal Bank of Canada Building 1 Place Ville Marie Montréal, Canada H3B 2W3</p> <p>May 27, 1975</p>
Transfer agents	Crown Trust Company, Montréal The Royal Trust Company, Halifax, Toronto, Winnipeg, Regina, Calgary, Vancouver
Registrars	Montreal Trust Company, Halifax National Trust Company, Limited, Montréal, Toronto, Vancouver The Bankers' Trust Company, Winnipeg, Regina, Calgary.
Stock exchange listings	Montréal, Toronto, Vancouver and London, England
Banks	The Royal Bank of Canada Canadian Imperial Bank of Commerce The Bank of Nova Scotia Bank Canadian National

Tobacco
museum
comes to life

see pages 4 and 5

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for employees and
their families

leaflet

Three new regional managers among marketing changes

A major reorganization of the Ontario sales region staff highlights 15 recent personnel changes in the company's marketing division. The sales appointments are designed to "maintain the positive momentum of our sales program," according to Len Storey, vice-president, sales.

Pierre Desjardins, former Atlantic regional sales manager, will head up the new Ontario team. Occupying the two most senior positions with Pierre are Sid Brown who moves to Ontario from main office as manager, cigars and tobacco, and Bill McKinnon who comes from the post of western region sales manager, to head up cigarette sales in Ontario. Other important changes in the region see Milt Wright, former c and t manager, as district manager, western Ontario and Eric Sewell as manager, vending. Eric was

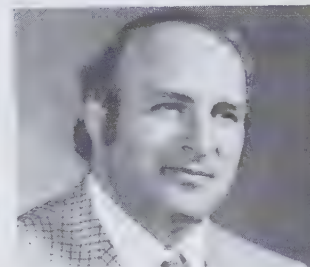
display manager in main office marketing.

New appointments in other sales regions will add strengths to the field force in these areas as well. Wilf Olson moves from Ontario region sales manager to the same position in the western region, replacing Bill McKinnon. "When Wilf moved from B.C. to Ontario five years ago, he expressed a wish to return eventually to B.C.," Len Storey explained, while "Bill's two-year stay in B.C. has equipped him for the key responsibility for cigarette sales in our largest market."

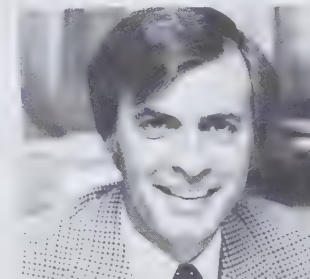
The Atlantic region has a new manager also; replacing Pierre Desjardins is André Daoust, former manager, sponsorships and special events.

Taking André's place in marketing is Henri Barrette, former

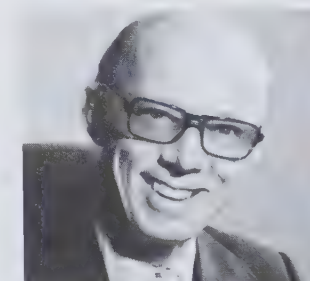
(continued on page 3)



Pierre Desjardins



André Daoust



Wilf Olson

1975 tobacco crop price and size settled after long negotiations

The guaranteed minimum average price for the 1975 Ontario tobacco crop will be 93 cents per pound, plus a one cent special incentive to the grower. The Ontario Flue Cured Tobacco Growers Marketing Board and the Canadian Tobacco Manufacturers Council made the joint announcement on April 18 after three weeks of negotiation.

The crop target — at 202 million pounds — is lower than the 1974 crop, largely because of a reduced demand by the overseas markets.

The crop target, according to Ted Raytrowsky, chairman of the growers' board, "will be subject to any known adjustment in the United Kingdom's estimated requirements for 1975."

The 1974 crop of 238 million pounds sold for an average of approximately 90.3 cents. The agreed minimum average was 83 cents. The sale of the 1974 crop was completed on April 28.

The Manufacturers' Council has proposed the formation of an export development committee to find additional markets for Canadian tobacco. Peter Gage, vice president operations at Imperial Tobacco and chairman of the Manufacturers' Council negotiating committee said, "We feel confident that there are existing markets to be expanded and new markets to be found. We are seeking the participation and assistance of the growers as well as the Ontario and Federal governments."

Celsius or elsius, Canada's going metric

Canada officially adopted the Celsius temperature scale on April 1, and what a choice date for those of us not accustomed to thinking metric.

As Fahrenheit moves into history, we must get used to the fact that water freezes at 0° C and boils at 100° C, that a pleasant May afternoon may range from 10° C to 20° C (roughly 50° F to 70° F).

Old Port is trying to help Ca-

nadians make the conversion with the help of a Fahrenheit/Celsius outdoor thermometer. Five thousand of the burgundy-colored thermometers have been distributed to tobacco stores around the country since early spring, and they've been popular.

But if you think you're having problems with metric now, just wait till inches become centimeters and pounds kilograms.



Heather Baylis checks the temperature on the new Old Port Fahrenheit/Celsius thermometer.

President shares ITL experience at "What to do about Bill 22" conference

by Edmond Ricard

Many of the measures our company has taken to promote the use of French have preceded the adoption of Bill 22 by some 10 years. However, these actions were, and still are, I believe, in line with the provincial government's philosophy expressed by Bill 22.

Our company employs approximately 2,500 people in the province of Quebec, working in three manufacturing plants, two tobacco processing plants, one regional sales office and our main office. From the point of view of the language used at work, five of these seven installations are almost as French as our Ontario installations are English. Only two locations do not work entirely in French: one is the smallest of our tobacco processing plants (Ajax-Lasalle), which employees only 29 persons; the other is our main office.

In our main office in Montreal, the situation is a little different from that in our other Quebec installations. In the past 10 years, the use of French has increased dramatically and we expect this trend to continue. This is not to say that all our main office employees are bilingual, or that we will eventually be able to operate our main office exclusively in French.

In fact, as a national company with about 75% of its business outside the province of Quebec, we will always use English in the daily operation of our main office. Our dealings with plants and offices situated outside the province of Quebec must be in English. The same holds true for our communica-

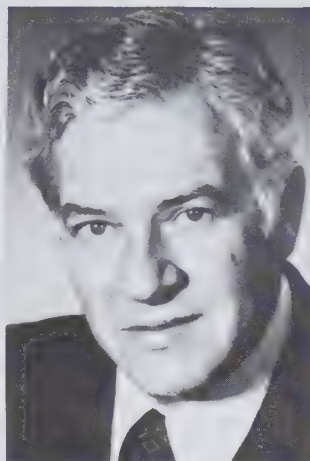
tions with our English-speaking customers. However, a great deal of main office operations can be conducted in French as we have found out ourselves. How much, exactly, is difficult to say but I submit that it probably is much more than a superficial analysis would indicate.

Many businessmen fear that a corporation's commitment to increase the use of French in its Quebec installations might create barriers between their English and French-speaking employees. We were quite concerned by this possibility ourselves. In our company, a high degree of harmony had existed between the two linguistic groups for years. This was, we felt, an asset essential to the success of the company.

We like to think of our company as one team. We definitely do not see this one unit made up of two linguistic groups. Rather, we look at the linguistic differences among our personnel as one more element of variety in the team, much like differences of sex, religion, managerial competence, and many others. But we certainly do not see valid reasons why linguistic differences would jeopardize the unity of the team, or for that matter, the unity of our country.

In fact, this was one of our main concerns two years ago, when we drafted our language policy. Over the previous years the company had undertaken a number of measures to promote the use of French at main office. We felt the time was ripe for the company to express in an official policy statement the principles which had underlined these measures.

What this policy is doing, in effect, is to recognize the right of any employee to work in his own language. The responsibility for this bilingualism is shared by both English and French-speaking managers. The policy does not command anyone to learn another language. It defines competence in both languages as a skill necessary for career advancement. By placing



Edmond Ricard

language facility in the class of management skills, we believe we have removed some of the emotional fringes from the question and provided an incentive to our employees to learn.

Response to the policy has been most encouraging. Employees from all levels, including all our unilingual senior managers, have embarked on language programs, and we have received about a dozen requests for a French language program from employees in Ontario.

In the event that our language programs prove insufficient the company could expand its contribution to these programs. Many dynamic ideas could be explored. For example, English-speaking employees from other provinces transferred to Quebec could be assigned to work in our Quebec City plant, or with our Quebec City marketing group, until they have acquired fluency in French. Similarly, unilingual French-speaking employees who are candidates for promotion to senior positions at main office, could be temporarily transferred to our Ontario plants or offices to learn English.

We do not expect overnight changes. We know that some of our older employees will never achieve fluency in a second language. We do know that if we persevere in a spirit of cooperation and helpfulness, we will succeed in making our main of-

fice truly bilingual.

Our personnel division finds that more and more English-speaking applicants already speak French. They also find it increasingly easier to fill most positions with French-speaking recruits. It would seem that when a company's linguistic climate is favourable enough, the popular myth that francophones are not really interested in business careers and are not adequately prepared to meet the business challenges does not hold true.

Admittedly, language training programs and other changes are not without costs. But these must be considered as part of the cost of doing business in a bilingual country.

The evolution of the language situation in our company has taught us quite a lot over the years. The present situation is not perfect and there is still a great deal more to do. But we have come a long way. I believe the language issue in the province of Quebec is vital to Canada's future and our company is certainly prepared to do its share to help business meet any new challenge to preserve and enrich Canadian unity.

Editor's note: These remarks by president Edmond Ricard are extracts from a presentation he made on April 16 as a speaker at a Financial Post seminar in Toronto. The conference, entitled, "What to do about Bill 22", was designed to help senior executives with operations in the province of Quebec to understand and take appropriate action on Quebec's new language legislation.

The seminar was attended by over 500 top level business and government leaders from across Canada. Besides Ricard, speakers included Fernand Lalonde, Quebec minister of state, several members of "la Régie de la langue française", Guy Saint-Pierre, minister of industry and commerce, and senior executives from a number of major Canadian corporations.

Quebec plant hockey team outscores Montreal...

by Yvette Falardeau

The Colisée in Quebec City was the recent scene for a hockey match between Montreal and Quebec plant employees. The game ended in favour of the home team with Jean-Paul Fortier getting a hat trick, Daniel Vigneault and Gilles Thibault both scoring two goals each, and Normand Cadrin scoring the final goal.

Although the visiting team couldn't quite manage to equal or top Quebec's eight goals, they did give it a good try and managed five points.

The evening was topped off with a friendly gathering in the Quebec plant cafeteria where everyone toasted the jubilant winners and cheered the disappointed losers.



J.-P. Bastien guards the goal for Quebec while teammate Daniel Vigneault, front center, scrambles for the puck, flanked by Montreal plant players Raymond Thibeault and Pierre Lanctot. Quebec player Gilles Thibault eyes his opponents from behind.

...but Montreal returns the favour at plant festival

by Gérald Lavigne

Not even one of Montreal's worst snow storms could prevent the Montreal plant's winter festival from taking place as scheduled on Saturday, April 5. While Montrealers were still trying to dig themselves out of the 14-inch snowfall, almost 200 people braved the streets to attend this fête. Fifty Quebec City plant employees even managed to travel to the Rodrigue Gilbert arena in the east-end of Montreal.

There were hockey and broomball games for the men

and women, free skating for the whole family, and chips, chocolate goodies and flutes for the kids. Trophies were given to the best player on each team, and many door prizes were won — even a weekend at l'Estérel.

After a re-match game between Montreal and Quebec City plant employees (Montreal plant won, this time), the losers were entertained in the plant cafeteria where everyone enjoyed an evening of good food, music and plenty of dancing.

Although the attendance wasn't as expected due to the



Robert Ménard and his wife enjoy dancing during the Montreal festival activities.

aftermath of the storm, the people who did show up were certainly glad they did.

Marketing appointments

(continued from page 1)

national promotions manager. Eric Sewell's and Henri Barrette's former responsibilities have been combined and will be carried out by Thor Milton as manager, promotions and display. Thor was formerly a district manager in Ontario.

Former cigarette sales manager in Ontario, Gary Watt, moves to main office as product manager, cigars and tobaccos. Paul Hubbard has been transferred from this area to the marketing research department, taking over Jim Uniacke's responsibilities in cigarette sales research. Jim is now a consumer research analyst, as is Jacques Woods, former research assistant.

Kirk Falconer, former manager, distributive services, Ontario, now heads up this function for all of Canada. Kirk replaces Georges Dufort, whose appointment to the secretarial department has already been announced. Kirk will be headquartered in Toronto.

Finally, Charles Desbaillets, a former regular employee and student employee in sales, joins the main office marketing planning group in May upon completion of an M.B.A. program.

57 employees laid off

Sliding industry sales said due to price increases

Fifty seven employees at two of the company cigarette making plants were laid off on May 2 due to an expected decrease in the industry's cigarette sales for the first six months of the year.

The 31 Guelph and 26 Quebec plant employees were notified on April 24. The company attributes the sales decrease to the three price increases and one excise tax increase which raised wholesale prices 19 per cent over the last 12 months.

Current forecasts suggest that the industry will register no increase in sales volume for 1975, although the normal growth

rate should resume during the last half of the year.

The price increases during the year were made necessary by increased costs in all areas of operations, but particularly for leaf tobacco, wrapping materials, and labour. Following company policy, these cost increases were passed along to the consumer without contributing to an increase in profits. Prices were raised to cover the costs of inflation. The company's increase in earnings was the result of operating efficiencies and increases in sales volume.

At the beginning of the year,

plant production was established on the basis of sales forecasts which predicted a continuing growth in industry sales. Forecasts have now been revised downward and a corresponding reduction in cigarette production became necessary.

A high cigarette inventory in February necessitated a number of changes to avert a layoff at that time for this reason. Part of the inventory was shipped to the humidity-controlled Holt St. plant for storage, and machinery overhauls and clean up work was undertaken to permit a reduction in stock on hand.

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leaflet

Museum project recreates past glories of tobacco business



Something's in the wind at Imperial Tobacco's corporate library. You can feel it... infectious enthusiasm germinating for an idea. Corporate librarian and self-avowed history nut Margot Walker is trying to gain support for the formation of a corporate tobacco museum, the first of its kind in North America.

Margot, the driving force behind the idea, considers it a worthwhile project and has already spent hours classifying and dating ITL artifacts now in hand. "A museum's a wonderful way to tell people where we have been as a company... what our roots are. I can't think of a better way to build pride," she said.

Some ITL executives find themselves tuning into her way of thinking. There are still many questions. Is a corporate museum feasible? Are there enough artifacts on hand to get a good start? Where could such a museum be located? Would it be for internal use or open to

the general public? How much would it all cost?

Margot admits the importance of these questions and is spending time detailing the preliminaries for the project and finding answers to pertinent questions.

Her research included visiting other corporate museums in the Montreal area and personally going over thousands of items now in the company's possession. These items were acquired over a long period of time and included things from the various companies acquired along the way.

Margot has been working for over a year on the project. "At least now some of the primary classification is done. People no longer have to plow through everything to find the piece they want," she said.

Many of the objects are one-of-a-kind and quite valuable. For example, the company's newest acquisition, a beautiful hand made quilt, is made from yellow ribbons used to tie cigars

in the early 1900's. Although women were discouraged from smoking at the turn of the century, their involvement in tobacco was encouraged. With each package of cigarettes, tobacco companies gave away a "silk", a small piece of material with a design printed on it. These silks, similar in concept to cards later included in cigarette packages, constituted series, depicting everything from clipper ships to British monarchs. Spurred on by the companies' creative ideas for using these silks, women made a variety of things for the home. Lampshades, wastepaper baskets, and runners for the piano, all made from tobacco silks, were popular items.

Aside from early magazines which are already part of the library's collection and a valuable tool in dating historical objects, Margot has uncovered a wealth of tobacco cards, photographs, old advertisements, packages and paintings. The company's marketing division uses some of these artifacts in

displays, such as the Turret nostalgia display which recently toured many Quebec shopping malls, and the Player's Medium exhibit in the Atlantic region.

The collection has been useful to various other groups too. Historical societies have requested information from us. Museums have asked Margot to help them date some of the items in their collection. Filmmakers and TV people have borrowed old packages and signs from the museum to lend an authentic touch to their scenes from earlier days. Anyone who has seen the film "The Apprenticeship of Duddy Kravitz" probably noticed Turret packages and Sweet Cap outdoor signs that came directly from the ITL collection.

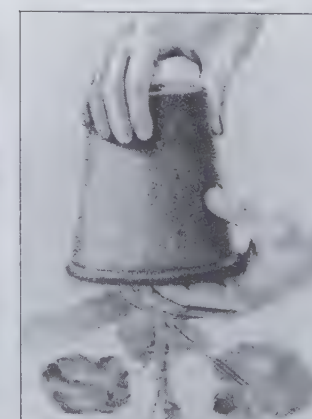
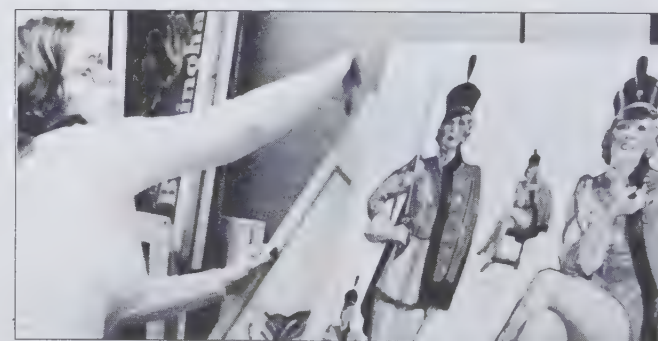
No decision has been made regarding size and location of a possible museum. "Money is our only real problem," said Margot. "Rent, display cases, lighting and personnel to man the museum will cost. But if we think it through clearly there might

be some ways of eliminating much of the cost."

Currently the library staff is displaying some of the old items in the main office cafeteria. A lot of employees and visitors are attracted to it, and it is generating interest in a larger project. Some employees have even brought in old cards dating from the 20's that they found at home.

Margot observes that some people still aren't thinking of the future in terms of current items. "We should have some policy for collecting things now. The library should be gathering copies of all ads, photographs, packages and so forth now to have for historical reference later on."

But formal museum or not, the library collection of old items is proceeding, classification and dating continues. Future generations of Canadians will have available to them reminders of the country's social past as shown by these collections of tobacco artifacts.



1. The original Sweet Cap girl.

2. An early cigar poster.

3. According to the caption on the back of this photo, "The Murad girl caused quite a thrill at the Poster Pageant staged in Vancouver." The photo is not dated.

4. Philippe Roy's tobacco delivery wagon on Montreal's St. Catherine St. dates from the first war years.

5. Old tobacco items displayed in the Montreal cafeteria have proven popular attractions.

6. Linda Henderson removes old Sweet Cap ads from storage.

7. Wartime poster promoting cigarettes.

8. Cards such as these were enclosed for collectors in cigarette packs for years. This one is number 45 in a series of 50 on dogs.

9. "Repotting", number 29 in a series of gardening hints. The ITL collection of old cards is one of the most complete anywhere.

All's well that ends well at Aylmer

by Ward McKenna
The end of the processing season isn't normally a time for celebration.

But in Aylmer, the last day of work for an overseas picking line until next season was recently marked by a small supertime party. A few days before this last supper, a few

women got together and planned the surprise.

A cake large enough to treat everyone was decorated and inscribed with the words "Super Chief" in honour of forelady Joyce Press. The cake disappeared rather quickly, and everyone went back to complete their last shift of the season.



Aylmer's overseas picking line during their final day of work for the 1975 processing season.

Vancouver secretary preaches professionalism

Only 118 Canadian secretaries are accredited as "Certified Professional Secretaries" (CPS) under a program supported by the National Secretaries Association and offered to experienced secretaries with specific qualifications.

One of the contenders for this professional recognition is Pam Adory, secretary to the regional sales manager, Vancouver, and a *Leaflet* correspondent. Not only has Pam passed five of the six exams held each year to qualify, but she's also involved in helping other Vancouver-area secretaries study as part of the same program.

Pam led a February 26 seminar for 16 secretaries on the subject of human relations, one of the six areas covered in the two-day examinations. Others are business law, financial analysis, economics of management, office procedures and a case study exam on executing a day's work.

No specific courses exist to help secretaries prepare for these exams, the only objective measure of a secretary's knowledge currently available, so the seminars take on a certain importance. According to Pam, this experience "helps get the secretary more involved in her career. The exam is hard work, but it is an amazing and exhilarating experience," she said.

"Most secretaries could contribute more than they do at present," Pam feels, "freeing their manager from a lot of administrative detail."

Professional accreditation helps secretaries realize their potential, and Pam recommends the experience to all secretaries anxious to improve and use their abilities to the fullest.



Pam Adory, Vancouver office, helps other secretaries prepare for professional exams.

Six executives see how it's done at Aylmer

by Jim Cutten

Six division heads from Montreal were recent guests at the Aylmer plant for a one-day tour. Jack Coulton, Bill Goring, Claude Mercier, Cliff Minshull, Doug Myers and Noël Pérusse

"bought" tobacco in a mock sale at the Aylmer auction exchange, toured the plant, and spent a few hours with Aylmer's buying, plant, and financial managers.



Bill Taggart shows division heads around the Aylmer warehouse: (l. to r.) Jack Coulton, Noël Pérusse, Claude Mercier, Bill Taggart and Cliff Minshull.

Media contest goes up in smoke, 21 minute victory



Bill McKinnon (third from left) didn't win the Borkum Riff pipe-smoking contest.

by Pamela Adory

When the Borkum Riff pipe collection toured the Western provinces, an added feature was the introduction of a pipe-smoking contest for members of the media to see who could keep their pipe lit the longest.

Kibbie Kebschull, reporter for the "Columbian" newspaper, placed first by drawing for 21 minutes. Bill McKinnon, western region sales manager, entered the contest but couldn't keep up with the more professional puffers.

fine cuts

Service anniversaries

From the Montreal plant, Albert Champagne and Aimé Brossoit celebrate 45 years with the company; Catherine Moss, Fernande Bélair, Myrtle Normoyle and Jeannine Charbonneau all celebrate 40 years service; and John Allan Todd has been with the company 35 years.

The 30-year mark has been reached by Richard Venables, Vancouver; Stan Larouche, Quebec sales; Sylvio Brodeur, Guelph; René Richer, General Cigar; and Jeannine Ratelle, Aline Niquet, and Mariette Geoffroy, all from Joliette.

Raymond Paradis, Quebec sales, has attained 25 years with the company.

Where have all the flowers gone?

by Heather Baylis

March showers brought April flowers to main office employees again this year.

The lab's CANSAVE foster children fund was slightly in the red this winter, so they did another Eliza Doolittle gig and sold flowers in the cafeteria.

Response was so great that a second order had to be sent to the supplier. To date, over \$190 has been collected for the fund.



Flower distribution in main office.

Retirements

Along with the people shown on this page, Gemma Huot recently retired from the Quebec plant after 31 years with the company and Anne-Marie Mallette retired from General Cigar after 34 years.



André Roy, machinist, Joliette, 21 years

Dancing daughters bring publicity to proud parents



These three of Dennis Dos Santos' 11 children are experienced ballet dancers.

The Dos Santos family of Dollard des Ormeaux was recently the subject of a long article in the local newspaper, the *News and Chronicle*. Dennis Dos Santos is manufacturing engineering manager, main office.

Dennis and Ruth Dos Santos have 11 children, five girls and six boys ranging in age from three to 18. Three of the girls have been accepted into l'Ecole Supérieure de danse de Les Grands Ballets Canadiens, and have danced in a number of public and television performances.

Ruth and Dennis, according to the article, "take their parental responsibilities as a gift and not as a series of groans."



Paul-Yvon Bleau, making and packing, Montreal plant, 34 years

Do it yourself sailor builds 25-footer

by George Jones

Summer is just around the corner and people with boats are getting them ready for the water.

Tony Van Leeuwen, of the Guelph plant, started his preparations in the fall of '74. But he is doing more than the usual washing, waxing and painting. Tony has been hard at work all winter building a 25 foot sailboat.

To accomplish this, Tony built a large insulated and heated shed in his garden so he could work comfortably all winter. Mahogany frames and plywood covered with fibreglass constitute the main hull, which should be ready for finishing inside when warm weather arrives.

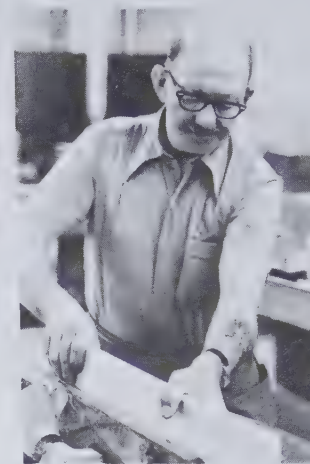
The finished boat, which started as a set of plans, should be ready for Tony and his wife to use and enjoy on Georgian Bay for summer holidays this year.

"Happy Days" will be the boat's name and after all the work is done, that's what Tony will have.



Tony Van Leeuwen works on the hull of his sailboat in his shed.

Eric Babineau, carpenter, Montreal plant, 29 years



Nurse's essay on archery wins writing competition

by Suzanne Saint-Maurice

Nurse Irène Poulin from General Cigar was the February winner of a writing competition sponsored by a nurses' association to mark International Women's Year. Writing on the theme of sports, she spoke of the mental and physical relaxation that comes from the practise of archery. Nurse Poulin emphasized in her essay that archery is a clean, non-polluting, quiet, inexpensive sport which helps one "regain serenity".

Irène received a commemorative plaque from the president of Infirmières et Infirmiers Unis Inc. and will participate in the annual competition along with the other eleven monthly winners.

Deaths

Our sympathy is extended to the families and friends of the following pensioners who died recently: Laurette Bezier and Elizabeth Houghton, retired from the Montreal plant in 1963 and 1957, respectively; Ernest Forget, retired from General Cigar in 1966 and Antonio Germain, also from General Cigar, 1965; Thomas Wilkinson, Vancouver sales, 1970; John Halpin, staff, 1953; and Arthur Couillard, Quebec plant, 1967.

AR28

may
1975

leaflet

**Tobacco
museum
comes to life**

see pages 4 and 5



To our shareholders

Results for the first half of fiscal 1976 have been generally good. Sales in all divisions have been higher but profit margins have been less than satisfactory in some operations.

Sales

Consolidated sales for the six months were \$450,192,000, up \$44,893,000 or 11% over the comparable period in 1974.

Sales in the second quarter were \$229,634,000, an increase of 8% over the same period in 1974.

Earnings

Consolidated earnings were \$16,216,000 or \$1.66 a share, compared with \$14,699,000 or \$1.50 a share in the same period last year.

Second quarter earnings were \$8,185,000, or 84 cents a share, an increase of \$719,000 or 8 cents a share over the comparable three months in 1974.

Financing

Proceeds from the sale in Canada in July of \$30,000,000 10⁷/₈% Sinking Fund Debentures Series B are reflected in the balance sheet included in this report. A further \$20,000,000 of 10¹/₄% Sinking Fund Debentures Series C was privately placed in the United States in October.

Tobacco

Cigarette sales remained steady in the six months. A shortage of cigars occurred in the second quarter because of problems resulting from the transfer of production from the General Cigar Company plant to our St. Antoine street plant, Montréal. These difficulties

are being overcome and a full supply of all Company brands should be available late in the year.

Food

Results of Canadian food operations continue the satisfactory trend of the first quarter. Earnings of the food operations in the United States were less satisfactory, but operating profits were much improved in September and this trend should continue through the second half of the year.

Retailing

The growth pattern in retail operations has continued over the six months in spite of soft conditions in Canadian retailing generally. In October, a major new sporting goods outlet was opened in Richmond, B.C.

Board of Directors

The board of directors has, with regret, accepted the resignation of Mr. Claude Castonguay, C.C., who has been appointed a Commissioner of the Anti-Inflation Board. Mr. Castonguay has been a director only since January 1974 but his contribution to the direction of the Company has been significant and we shall miss his wise counsel. On behalf of the board and the Company, I wish him success in a difficult task.

Outlook

The remainder of the year should show results comparable with those of the first half. However, the recently announced government anti inflation measures make it more difficult to predict results. These measures to restrain profit margins, prices, dividends and compensation are unwelcome to most sectors of the economy and they will undoubtedly affect our business. But

worse than these controls is the unsupportable rate of inflation they are designed to combat. We shall support the measures fully, both in the letter and the spirit of their intent, in the hope that they will be effective and then removed as soon as their purpose has been achieved.

A handwritten signature in black ink, reading "Paul Paré". The script is fluid and cursive, with the first name "Paul" and last name "Paré" clearly distinguishable.

Paul Paré, President
Montréal, November 6, 1975

**Imasco Limited
and subsidiary companies
Six months, April to September**

**Consolidated Statement
of Earnings**

	1975	1974
	Thousands of dollars	
Sales	450,192	405,299
Sales and excise taxes	143,199	134,481
	306,993	270,818
Operating costs	274,096	239,970
Earnings from operations	32,897	30,848
Interest expense	(3,802)	(4,506)
Earnings before income taxes	29,095	26,342
Income taxes	12,846	11,562
	16,249	14,780
Minority interest	33	81
Net earnings	16,216	14,699
Earnings per common share	\$1.66	\$1.50

**Consolidated Statement of
Retained Earnings**

Retained earnings, beginning of period	106,973	88,375
Net earnings	16,216	14,699
Goodwill on consolidation of subsidiaries	—	757
Dividends	(5,965)	(5,041)
Retained earnings, end of period	117,224	98,790

Subject to year end audit and adjustment.

Imasco Limited
and subsidiary companies
Six months, April to September

Operating Results by Division	1975	1974
	Thousands of dollars	
Sales		
Imperial Tobacco	273,329	249,232
Imasco Food	102,065	88,297
Imasco Associated Products	86,781	78,423
Interdivisional transactions	(11,983)	(10,653)
	450,192	405,299
Earnings from operations		
Imperial Tobacco	29,830	26,601
Imasco Food	2,127	4,169
Imasco Associated Products	2,872	2,044
	34,829	32,814
General administration	1,932	1,966
	32,897	30,848

Subject to year end audit and adjustment.

**Imasco Limited
and subsidiary companies
September 30**

Consolidated Balance Sheet	1975	1974
	Thousands of dollars	
Current assets		
Cash and term deposits	25,193	479
Accounts and notes receivable	55,621	58,537
Inventories	181,335	156,781
Prepaid expenses	5,066	2,598
Total current assets	267,215	218,395
Current liabilities		
Bank and other short term loans	36,627	44,490
Accounts payable and accrued liabilities	35,753	31,928
Income, excise and other taxes	35,867	27,316
Current portion of long term debt	3,478	2,808
Total current liabilities	111,725	106,542
Working capital (net current assets)	155,490	111,853
Other assets		
Investments (at cost) and notes receivable	7,440	8,400
Deferred charges	6,605	5,936
Fixed assets	72,550	68,544
Goodwill, trademarks and patents	1	1
Excess of assets over current liabilities	242,086	194,734
Other liabilities		
Long term debt	61,285	33,019
Deferred income taxes	6,636	5,932
Minority interest	558	610
	68,479	39,561
Excess of assets over liabilities	173,607	155,173
Shareholders' equity		
Capital stock	54,153	54,153
Capital surplus	2,230	2,230
Retained earnings	117,224	98,790
	173,607	155,173

Subject to year end audit and adjustment.

Imasco Limited
and subsidiary companies
Six months, April to September

Consolidated Statement of Changes in Financial Position		1975	1974
		Thousands of dollars	
Source of funds			
Net earnings	16,216	14,699	
Depreciation	3,673	3,566	
Deferred income taxes	450	805	
Sundry non-cash items	(709)	(828)	
Funds provided from operations	19,630	18,242	
Sale of fixed assets	935	722	
Investment and notes receivable	(39)	2,133	
Long term debt	29,404	379	
	49,930	21,476	
Application of funds			
Purchase of subsidiaries	—	171	
Working capital acquired	—	22	
	—	149	
Dividends	5,965	5,040	
Fixed assets	5,443	5,511	
Other	65	(134)	
	11,473	10,566	
Working Capital			
Increase in working capital	38,457	10,910	
Beginning of period	117,033	100,943	
End of period	155,490	111,853	
Subject to year end audit and adjustment.			

Etat consolidé de l'évolution de
la situation financière

	1975	1974
en milliers de dollars		
Provenance des fonds		
Bénéfices nets	16 216	14 699
Amortissement	3 673	3 566
Impôts sur le revenu reportés	450	805
Autres postes n'occasionnant pas de déboursés	(709)	(828)
Fonds provenant de l'exploitation	19 630	18 242
Vente d'immobilisations	935	722
Placements et effets à recevoir	(39)	2 133
Dettes à long terme	29 404	379
	49 930	21 476
Utilisation des fonds		
Achat de filiales	—	171
Fonds de roulement acquis	—	22
Dividendes	—	149
Immobilisations	5 443	5 511
Divers	65	(134)
	11 473	10 566
Fonds de roulement		
Augmentation de fonds de roulement	38 457	10 910
Au début de la période	117 033	100 943
A la fin de la période	155 490	111 853

Sujet à vérification et redressements de fin d'exercice.

Bilan consolidé		1975		1974
				en milliers de dollars
Actifs à court terme				
Encaisse et dépôts à terme	25 193		479	
Comptes et effets à recevoir	55 621		58 537	
Stocks	181 335		156 781	
Frais payés d'avance	5 066		2 598	
Total des actifs à court terme	267 215		218 395	
Passifs à court terme				
Dettes bancaires et autres emprunts				
à court terme	36 627		44 490	
Comptes à payer et frais courus	35 753		31 928	
Impôts sur le revenu, taxes d'accise et autres	35 867		27 316	
Portion exigible de la dette à long terme	3 478		2 808	
Total des passifs à court terme	111 725		106 542	
Fonds de roulement (actifs à court terme - nets)		155 490	111 853	
Autres actifs				
Placements (au coût) et effets à recevoir	7 440		8 400	
Frais reportés	6 605		5 936	
Immobilisations	72 550		68 544	
Achalandage, marques de commerce et brevets	1		1	
Excédent de l'actif sur les passifs à court terme	242 086		194 734	
Autres passifs				
Dettes à long terme	61 285		33 019	
Impôts sur le revenu reportés	6 636		5 932	
Intérêt minoritaire	558		610	
Excédent de l'actif sur le passif	173 607		155 173	
Avoir des actionnaires				
Capital-actions	54 153		54 153	
Surplus de capital	2 230		2 230	
Bénéfices non répartis	117 224		98 790	
	173 607		155 173	

Objet à vérification et redressements de fin d'exercice.

Résultats d'exploitation
par division

	1975	1974
en milliers de dollars		
Ventes		
Imperial Tobacco	273 329	249 232
Alimentation Imasco	102 065	88 297
Les Produits Associés Imasco	86 781	78 423
Transactions interdivisions	(11 983)	(10 653)
	450 192	405 299
Bénéfices d'exploitation		
Imperial Tobacco	29 830	26 601
Alimentation Imasco	2 127	4 169
Les Produits Associés Imasco	2 872	2 044
	34 829	32 814
Administration générale	1 932	1 966
	32 897	30 848

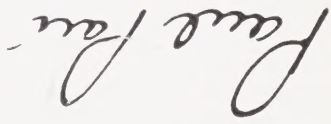
Sujet à vérification et redressements de fin d'exercice.

Etat consolidé des bénéfices		
	1975	1974
en milliers de dollars		
Ventes	450 192	405 299
Taxes de vente et d'accise	143 199	134 481
Frais d'exploitation	306 993	270 818
Frais d'exploitation	274 096	239 970
Bénéfices d'exploitation	32 897	30 848
Frais d'intérêt	(3 802)	(4 506)
Bénéfices avant impôts sur le revenu	29 095	26 342
Impôts sur le revenu	12 846	11 562
Intérêt minoritaire	16 249	14 780
Bénéfices nets	16 216	14 699
Bénéfices par action ordinaire	\$1.66	\$1.50
Etat consolidé des bénéfices non répartis		
Bénéfices non répartis au début de la période	106 973	88 375
Bénéfices nets	16 216	14 699
Achalandage résultant de la consolidation des filiales	—	757
Dividendes	(5 965)	(5 041)
Bénéfices non répartis à la fin de la période	117 224	98 790

Sujet à vérification et redressements de fin d'exercice.

treindre les marges de bénéfices, de prix, de dividendes
et de compensation ne sont pas les bienvenues dans la
plupart des secteurs de l'économie et notre industrie
s'en ressentira certainement. Mais le taux insupportable
d'inflation que ces mesures veulent combattre est encore
pire que les mesures elles-mêmes et nous ferons tout en
notre pouvoir pour appuyer celles-ci dans le sens et
l'esprit qui les a vu naître, tout en espérant qu'elles
seront efficaces et retirées aussitôt qu'elles auront atteint
leur but.

Le Président



Paul Paré

Montréal, le 6 novembre 1975

Montréal a causé un problème de distribution de cigares maintenant résolu et la gamme complète de tous les produits de la Compagnie devrait être disponible avant la fin de l'année.

Alimentation

Au Canada, la courbe amorcée au premier trimestre se maintient dans tout le secteur alimentaire. Les résultats obtenus aux États-Unis ne sont pas aussi satisfaisants, mais les profits opérationnels enregistrés en septembre traduisent une amélioration sensible et cette tendance devrait se poursuivre tout au long du second semestre.

Détail

Le patron de croissance des activités de détail amorcé s'est poursuivi au long des six mois malgré les conditions plus ou moins favorables du secteur de la vente au détail qui ont prévalu à peu près partout au Canada. Un deuxième magasin Collegiate Sports a ouvert ses portes à Richmond, Colombie Britannique, à la fin du mois d'octobre.

Conseil d'administration

C'est à regret que le Conseil d'administration a reçu la démission de Monsieur Claude Castonguay, C.C. qui vient d'être nommé au poste de Commissaire de la Commission de lutte contre l'inflation. Monsieur Castonguay était administrateur de la Compagnie depuis janvier 1974 et son apport en tant que tel était appréciable. Ses avis éclairés vont nous manquer. Au nom du Conseil et de la Compagnie, je lui souhaite beaucoup de succès dans ses nouvelles fonctions.

Perspectives

Le reste de l'année devrait voir des résultats comparables à ceux qu'on a connus au cours des six premiers mois. Cependant, les nouvelles mesures anti-inflationnistes annoncées par le gouvernement vont rendre plus difficile toute prédiction de résultats. Ces mesures visant à res-

En général, les résultats des six premiers mois de l'exercice financier de 1976 sont bons. Dans toutes les divisions, les ventes se sont accrues, mais les marges de profit laissent à désirer dans quelques secteurs.

Ventes

Au cours de la première moitié de l'exercice financier, les ventes consolidées ont totalisé \$450 192 000, soit une augmentation de \$44 893 000 ou 11 pour cent de mieux que pour la période équivalente en 1974.

Au second trimestre, les ventes ont atteint \$229 634 000, ou huit pour cent de plus qu'en 1974 lors de la même période.

Bénéfices

Les bénéfices consolidés se sont élevés à \$16 216 000 ou \$1.66 l'action en comparaison de \$14 699 000 ou \$1.50 l'action au cours de la même période de l'exercice précédent.

Les bénéfices du second trimestre en totalisant \$8 185 000 ou 84 cents l'action, traduisent une hausse de \$719 000 ou huit cents l'action par rapport à la même période de trois mois en 1974.

Financement

Le produit de la vente réalisée au Canada en juillet de \$30 000 000 de débentures à 10% pour cent, avec fonds d'amortissement, série B, est reflété dans le bilan inclus dans ce rapport. Une somme supplémentaire de \$20 000 000 de débentures à 10% pour cent, avec fonds d'amortissement, série C, a été empruntée du secteur privé américain au mois d'octobre.

Tabac

Les ventes de cigarettes sont demeurées stables au cours des six mois. Le transfert des activités de l'usine de General Cigar à notre usine de la rue St-Antoine, à

